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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

January 28, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C.Re: Ex Parte Contact, CC Docket NO. 96-45, Federal State
Joint Board on Universal Service

On January 28, 1997 the following representatives of the Federal Communications Commission contacted Jack Leutza, Director of the Telecommunications Division of the California Public Utilities Commission to discuss matters dealing with verification of applications for the California Universal Lifeline Telephone Service Program. Dick Van Aggelen, analyst and coordinator of the ULTS Program was also present.

Chuck Keller
Lori Wright
Emily Hoffnar
Larry Povich
Mike Mc Rae of the D.C. Peoples' Council was also present.

The CPUC was asked about income verification for participants of the California ULTS Program. The ULTS programs statutory requirement to provide ULTS services to persons with incomes at 150% of the poverty level was discussed as one of the factors that made the problem of verification difficult. CPUC indicated that most verification programs, in other States, rely upon the various "welfare" agency mechanisms for verification of entitlement. Without such a verifications system, that is already in place, CPUC anticipates that the cost of verification may be high in relation to benefits received by beneficiaries of the program. Current administrative costs of the California ULTS program are less than 1% of the funds disbursed in any given year. Total funds disbursed are in the order of \$400 million.

A statistically valid audit approach, informally discussed among CPUC staff, is a possible substitution for verification in California. The CPUC suggested that a regular audit, annual or bi-annually, of compliance with the ULTS program rules could be conducted and appropriate corrective actions taken if significant non-compliance is found. Such an audit, would be less costly and could provide as much assurance that beneficiaries are complying with the programs restrictions. The CPUC recognizes that an audit approach may conflict with national verification policies that are being considered. CPUC assured FCC staff that

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California is paying close attention to the national universal service debate to coordinate state and federal programs. CPUC stressed that the matter of verification is very much alive and is an underlying issue in many of the proceedings currently before the CPUC.

CPUC pointed out the activity that is taking place in relation to Universal Service programs in California. The Commission has directed that the staff determine if and how California can qualify for an equitable share of the Federal funds available for this subsidy.

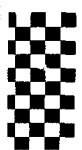
If you have any questions or require additional information, please feel free to call me at 415-703-1060.

Sincerely,

Jack Leutza

Jack Leutza
Director
Telecommunications Division

JL/djv



Room
222

CALIFORNIA PUBLIC UTILITIES COMMISSION

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